

SOBEYS

Your Maritime Owned Food Chain

AR21

INCORPORATED 1946

HEAD OFFICE - STELLARTON, NOVA SCOTIA

Full

SOBEYS
STORES
LIMITED

annual
report 1967





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SOBEYS

annual report

AS OF MAY SIXTH - 1967

SOBEYS
STORES
LIMITED

KING STREET
STELLARTON, N.S.

AUDITORS H. R. DOANE & CO.
NEW GLASGOW, N.S.

• TRANSFER AGENT & REGISTRAR

MONTREAL TRUST CO. - MONTREAL
TORONTO - SAINT JOHN - HALIFAX

• BANKERS THE BANK OF
NOVA SCOTIA

DIRECTORS

MERRITT G. CRAWFORD

F. CARLETON FISHER

LESLIE SHARP

DAVID F. SOBEY

DONALD R. SOBEY

FRANK H. SOBEY

HAROLD M. SOBEY

WILLIAM M. SOBEY

*FRANK T. STANFIELD

OFFICERS

FRANK H. SOBEY

Chairman of the Board

WILLIAM M. SOBEY

President

LESLIE SHARP

Vice President & General Manager

DAVID F. SOBEY

Vice President - Merchandising

HAROLD M. SOBEY

Vice President

MERRITT G. CRAWFORD

Secretary - Treasurer

*Deceased



Frank H. Sobe

DIRECTORS' REPORT



William M. Sobe

TO THE SHAREHOLDERS:

For the year ending May 6th, 1967, your company experienced the best year in its history, as reflected in its 21st consecutive gain in sales, earnings, and earnings per share – also moved into data processing to handle payroll and basic accounting – added two new departments to the general operation and created the Avalon Mall shopping centre in St. John's, Newfoundland.

Sales and Net Income A new high in sales was achieved of 5.2% over the preceding year and net income increased 13.3% to \$752,952.

Stock Split and Dividends On September 1, the shareholders of the company approved a resolution splitting the A and B shares on a two for one basis. In October, the A shares were placed on the Toronto Stock Exchange in addition to its listing on the Canadian Exchange.

On August 15th, the Directors declared an 8¢ per share quarterly dividend on the A and B stock of the company. This increase over the previous dividend was the second increase in less than a year.

Financial – General This report shows a temporary working capital decrease from \$1,747,417 as of May 7, 1966 to \$457,993 on May 6, 1967, this situation was created by finalization of payments for Avalon Mall.

It should be noted that the company has charged \$200,000 to the General Reserve Account, covering good-will.

During this fiscal period, capital cost allowances exceeded recorded depreciation by \$1,320,671 – resulting in a reserve for future income tax and a consequent income tax refund claim of \$155,000, created by Avalon Mall and other projects mentioned further. The company follows a conservative accounting practice, however, if the taxes payable method had been used, earnings would have increased 90¢ per share to \$1.89, more than double last years per share earnings (Note: Provision for future income taxes \$647,048 – see right hand column this page)

Accelerated Depreciation During the fiscal period, your company took full advantage of the "Designated Areas Act for Accelerated Depreciation" on a number of projects which enables us to write off these assets by claiming up to 20% depreciation annually; included in these projects is Avalon Mall in St. John's, Newfoundland, in itself the largest project of its type undertaken in Canada under the aforementioned act.

Avalon Mall contains three department stores, a theatre, the largest food market in Eastern Canada and approximately thirty-five additional stores and shops, totalling some 340,000 sq. ft. on one floor, strategically located to serve the city of St. John's and the Avalon Peninsula.

This project is owned and operated by your company and was opened officially by Premier Joseph R. Smallwood on April 24, 1967, ten months after first start of construction.

Rising Costs Our results indicate we have achieved some measure of success in offsetting increased costs through improved efficiency, forward planning, and advanced productivity. The company must, in particular, pay increased attention to whatever degree of productivity and automation it can implement, as rising costs can only be absorbed by rising productivity.

Future profits and progress will demand extensive planning, our existing facilities must be kept modern and efficient, our new planning must produce units of better design, finish and efficiency and our approach to merchandising, distribution and general selling must reflect this policy of continuous improvement.

New Departments Two new departments, personnel and real estate have been added to the company's operation and early in 1967, data processing was installed to handle payroll and some general accounting – this move into

data processing is being cautiously approached and will be enlarged to handle additional expected volume as it proves its efficiencies and its economies.

Merchandising and Store Operations

These departments continue to play a most important part in all our planning for present and future, they embrace our entire buying and selling function, and our ability to improve our competitive position and to penetrate new markets.

Development The development of new units and remodelling of older stores will continue wherever situations appear profitable, and a number of projects are presently underway.

Company Ownership Control of the voting shares of Sobeys Stores Limited is held by the Sobey family and they have no intention of disposing of any shares in the foreseeable future.

Outlook The outlook for the future appears favourable, however, competition for sites by supermarket owners on occasion tends to inflate rents to a danger point - where there is little population growth, long term commitments such as rents, taxes and other expenses must be properly and cautiously considered - the company must be financially and competitively strong so that it may be in a position to adjust its operations as conditions warrant or accept new opportunities as they arise.

In Memoriam The death occurred Sunday, July 2nd, 1967 of Mr. Frank T. Stanfield, who had been a Director of your company since its incorporation in 1946. Mr. Stanfield's perceptive counsel, faithful attendance and deep interest in all company affairs will be greatly missed.

In Appreciation We acknowledge, and continue to count on the support, experience and loyalty of our employees and the many customers and suppliers with whom we have been associated over the past 60 years.

SUMMARY OF EARNINGS AND PER SHARE EARNINGS

FOR THE YEAR ENDED MAY 6, 1967

		Per Share
Net Income before Reserves	1,744,660	2.43
Transfer portion of profit on sale of fixed assets and investments to general reserve.....	500,000	.70
	1,244,660	1.73
Provision for future income taxes.....	647,048	.90
Less: Refund of income taxes paid in prior year.....	155,340	.22
	491,708	.68
Net income.....	752,952	1.05
Preferred share dividend.....	46,875	.06
Net income after providing for preferred share dividend.....	\$ 706,077	\$.99
Cash flow.....	\$1,579,791	\$2.20

Per share earnings are calculated on the average number of common shares outstanding during the fiscal year.

SOBEYS
STORES
LIMITED

FRANK H. SOBEY
CHAIRMAN OF THE BOARD

WM. M. SOBEY
PRESIDENT

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
SOBEYS STORES LIMITED

We have examined the Consolidated Balance Sheet of Sobeys Stores Limited and its wholly owned subsidiary company as at May 6, 1967 and the Consolidated Statements of Income, Retained Earnings and General Reserve for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying Consolidated Balance Sheet and Consolidated Statements of Income, Retained Earnings and General Reserve are properly drawn up so as to exhibit a true and correct view of the financial position of the companies as at May 6, 1967 and the results of operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

H. R. DOANE AND COMPANY,
Chartered Accountants

New Glasgow, Nova Scotia
June 20, 1967

ASSETS

AND WHOLLY OWNED SUBSIDIARY

CONSOLIDATED BALANCE SHEET

AS OF MAY 6, 1967 - WITH COMPANIES

	1967	1966
CURRENT		
Cash.....	\$ 920,264	\$ 768,178
Marketable securities, at cost (Market value 1967 - \$1,174,151; 1966 - \$1,234,391).....	1,010,785	1,007,526
Accounts and notes receivable less allowance for doubtful accounts.....	386,863	258,825
Loans receivable.....	994,084	1,302,169
Inventories, at lower of cost or market.....	2,040,760	2,015,633
Income tax refund receivable.....	225,340	
Special refundable tax receivable.....	60,247	
Prepaid expenses and building options.....	38,765	41,509
	<u>5,677,108</u>	<u>5,393,840</u>
MORTGAGES RECEIVABLE	96,975	27,027
FUNDS HELD BY TRUSTEE FOR REDEMPTION OF DEBENTURES	21,500	18,500
FIXED ASSETS, at cost		
Buildings and parking facilities.....	8,655,934	4,399,842
Furniture and equipment.....	4,451,170	3,998,136
Trucks and cars.....	136,170	128,819
Leasehold improvements.....	345,289	314,969
	<u>13,588,563</u>	<u>8,841,766</u>
Less: Accumulated depreciation.....	2,800,499	2,800,384
	<u>10,788,064</u>	<u>6,041,382</u>
Land.....	1,323,698	1,829,617
	<u>12,111,762</u>	<u>7,870,999</u>
	<u>\$17,907,345</u>	<u>\$13,310,366</u>

SIGNED ON BEHALF OF

FRANK H. SOBEY
DIRECTOR

SOBEY

LIABILITIES

BALANCE SHEET

COMPARATIVE FIGURES AT MAY 7, 1966

CURRENT

	1967	1966
Bank loan - secured.....	\$ 845,000	\$ 296,000
Bankers Acceptance Note.....	500,000	500,000
Payables and accruals.....	3,639,902	2,636,241
Debenture coupons payable.....	36,203	33,985
Sinking fund debentures (Installments due within one year).....	128,500	83,500
Deferred revenue.....	42,000	
Estimated income and special refundable tax payable.....	27,510	96,697

5,219,115 3,646,423

LONG TERM

4,384,680 4,416,000

ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (Note 6)

1,205,154 558,106

SHAREHOLDERS' EQUITY

Capital Stock Authorized		
250,000 6½ cumulative redeemable preference shares of \$20 par value each issuable in series		
750,000 Class "A" common shares without nominal or par value		
500,000 Class "B" common shares without nominal or par value		
Issued and fully paid		
75,000 preference shares 1966 Series (Note 7).....	1,500,000	
514,860 Class "A" common shares (247,430 in 1966) (Note 8 and 9).....	1,697,850	1,497,850
212,000 Class "B" common shares (106,000 in 1966) (Note 9).....	32,000	32,000
	3,229,850	1,529,850
General reserve.....	400,000	100,000
Retained earnings.....	3,468,546	3,059,987
	7,098,396	4,689,837
	\$17,907,345	\$13,310,366

The accompanying notes form part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Under the provisions of leases with Sobey Leased Properties Limited, Empire Company Limited, Foord Construction Limited, and other lessors, the Company has leased lands, buildings and improvements for terms extending beyond five years from the Balance Sheet date.
- At Balance Sheet date there were outstanding guarantees for bank loans of Sobey Leased Properties Limited and Foord Construction Limited of \$250,000 and \$1,725,000 respectively. These loans were obtained for the purpose of acquiring properties for and on behalf of Sobey's Stores Limited.
- In consideration of the exclusive right to lease the supermarket premises in all shopping centres developed by Canadian Shopping Centres Limited the Company has undertaken, by agreement dated April 1, 1960, to provide cash to meet any obligations which Canadian Shopping Centres Limited is unable or fails to meet until all Series "A" Debentures (of which \$418,000 principal amount is presently outstanding) of Canadian Shopping Centres Limited have been paid in full in accordance with their terms. Any deficiency payment made by Sobey's Stores Limited will be in consideration of the issue to it of an appropriate number of \$10 fully paid and non-assessable 6% non-cumulative redeemable non-voting preference shares of Canadian Shopping Centres Limited.
- The Company has reserved a maximum of 20,000 unissued Class "A" common shares to satisfy the conditions relating to Share Purchase Warrants attaching to the Sinking Fund Debentures, Series "H", maturing November 1, 1985.
- The Company advances, from time to time, surplus cash on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited. It also advances funds without interest to other Companies for their use in acquiring, constructing and

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

1. Under the provisions of leases with Sobey Leased Properties Limited, Empire Company Limited, Foord Construction Limited, and other lessors, the Company has leased lands, buildings and improvements for terms extending beyond five years from the Balance Sheet date.
2. At Balance Sheet date there were outstanding guarantees for bank loans of Sobey Leased Properties Limited and Foord Construction Limited of \$250,000 and \$1,725,000 respectively. These loans were obtained for the purpose of acquiring properties for and on behalf of Sobeys Stores Limited.
3. In consideration of the exclusive right to lease the supermarket premises in all shopping centres developed by Canadian Shopping Centres Limited the Company has undertaken, by agreement dated April 1, 1960, to provide cash to meet any obligations which Canadian Shopping Centres Limited is unable or fails to meet until all Series "A" Debentures (of which \$418,000 principal amount is presently outstanding) of Canadian Shopping Centres Limited have been paid in full in accordance with their terms. Any deficiency payment made by Sobeys Stores Limited will be in consideration of the issue to it of an appropriate number of \$10 fully paid and non-assessable 6% non-cumulative redeemable non-voting preference shares of Canadian Shopping Centres Limited.
4. The Company has reserved a maximum of 20,000 unissued Class "A" common shares to satisfy the conditions relating to Share Purchase Warrants attaching to the Sinking Fund Debentures, Series "H", maturing November 1, 1985.
5. The Company advances, from time to time, surplus cash on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited. It also advances funds without interest to other Companies for their use in acquiring, constructing and leasing shopping centre properties for and on behalf of the Company.
6. As a result of claiming capital cost allowance of \$1,320,671 more than recorded depreciation the provision for income taxes is \$647,048 in excess of taxes payable for the year and \$155,340 income taxes paid in the previous year have become refundable.
7. During the year the Company created 250,000 preference shares of \$20 par value each, issuable in series, and issued 75,000 of these preference shares on August 15, 1966 as 6½% cumulative redeemable preference shares, 1966 series. These shares may be called at reducing premiums from October 1, 1967 to October 1, 1971, after which they may be called at par.
8. Prior to a two for one stock split the Company issued 10,000 Class "A" common shares as part payment on the acquisition of food store operations.
9. At meetings held on August 15, 1966 and September 1, 1966 the shareholders of the Company approved a two for one stock split of Class "A" common shares and Class "B" common shares resulting in the following changes:
 - (a) The 375,000 authorized Class "A" common shares without nominal or par value of which 257,430 were issued and fully paid became 750,000 authorized Class "A" common shares without nominal or par value of which 514,860 are issued and fully paid, similar in all respects to the previously existing Class "A" common shares.
 - (b) The 250,000 authorized Class "B" common shares without nominal or par value, of which 106,000 were issued and fully paid, became 500,000 authorized Class "B" common shares without nominal or par value, of which 212,000 are issued and fully paid, similar in all respects to the previously existing Class "B" common shares.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MAY 6, 1967

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MAY 7, 1966)

	1967	1966
INCOME FOR THE YEAR BEFORE TAKING INTO ACCOUNT THE UNDERMENTIONED ITEMS	\$2,123,230	\$2,099,484
EXPENSES		
Administrative and office salaries	344,908	322,312
Auditing and management services	10,976	12,846
Depreciation	528,809	527,106
Directors' fees	2,000	1,250
Debenture and mortgage interest	263,076	248,133
Interest on current debt	32,984	52,422
Legal fees	8,227	34,885
Contribution to employee pension and profit sharing plan	53,336	66,810
	<u>1,244,316</u>	<u>1,265,764</u>
	878,914	833,720
OTHER INCOME		
Interest and dividends	165,335	97,089
	<u>1,044,249</u>	<u>930,809</u>
NET INCOME BEFORE INCOME TAXES		
INCOME TAXES		
Income taxes paid		336,697
Provision for future income taxes	647,048	94,758
Refund of income taxes paid in prior year	155,340	
	<u>491,708</u>	<u>431,455</u>
NET INCOME FROM OPERATIONS	522,541	499,354
Profit on sale of fixed assets and investments	700,411	214,961
Less: Transfer to general reserve	500,000	50,000
	<u>200,411</u>	<u>164,961</u>
NET INCOME	<u>\$ 752,952</u>	<u>\$ 664,315</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MAY 6, 1967

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MAY 7, 1966)

	1967	1966
Balance, beginning of year	\$3,059,987	\$2,627,488
Add: Net profit for the year	752,952	664,315
	<u>3,812,939</u>	<u>3,291,803</u>
Deduct: Dividends paid - Class "A" common...	162,181	130,715
- Class "B" common...	66,780	58,300
- 6½% preferred	46,875	
Tax adjustments relating to prior years		1,123
Financial expenses relating to debentures and preferred shares issued	8,557	4,178
Discount on issue of Series "H" debentures written off		37,500
Commission on issue of preferred shares	60,000	
	<u>344,393</u>	<u>231,816</u>
Balance, end of year	<u>\$3,468,546</u>	<u>\$3,059,987</u>

CONSOLIDATED STATEMENT OF GENERAL RESERVE

FOR THE YEAR ENDED MAY 6, 1967

Amount transferred from reserve for future investment transactions	\$ 100,000
Appropriation of portion of profit on sale of fixed assets and investments	500,000
	<u>600,000</u>
Deduct: Goodwill acquired and written off	200,000
Balance, May 6, 1967	<u>\$ 400,000</u>

CONSOLIDATED STATEMENT OF LONG-TERM LIABILITIES

FOR THE YEAR ENDED MAY 6, 1967

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MAY 7, 1966)

	1967	1966
5½% SINKING FUND DEBENTURES, SERIES "A" MATURING SEPTEMBER 1, 1968 (Authorized and issued - \$300,000) Issued - less redeemed	\$ 108,500	\$ 120,000
5% SINKING FUND DEBENTURES, SERIES "B" MATURING MARCH 1, 1972 (Authorized and issued - \$500,000) Issued - less redeemed	277,500	309,000
4¾% SINKING FUND DEBENTURES, SERIES "C" MATURING SEPTEMBER 1, 1975 (Authorized and issued - \$500,000) Issued - less redeemed	335,000	350,000
6% SINKING FUND DEBENTURES, SERIES "D" MATURING MAY 1, 1977 (Authorized and issued - \$750,000) Issued - less redeemed	547,500	570,000
6% SINKING FUND DEBENTURES, SERIES "E" MATURING MARCH 1, 1981 (Authorized and issued - \$1,000,000) Issued - less redeemed	820,500	850,500
6% SINKING FUND DEBENTURES, SERIES "F" MATURING APRIL 1, 1984 (Authorized and issued - \$1,000,000) Issued - less redeemed	910,000	949,000
5½% SINKING FUND DEBENTURES, SERIES "G" MATURING APRIL 15, 1985 (Authorized and issued - \$500,000) Issued - less redeemed	485,000	485,000
6% SINKING FUND DEBENTURES, SERIES "H" MATURING NOVEMBER 1, 1985 (Authorized and issued - \$1,000,000) Issued - less redeemed	970,000	1,000,000
6% MORTGAGE, DUE DECEMBER 15, 1985	<u>125,801</u>	
	4,579,801	4,633,500
LESS: DEBENTURES ON HAND FOR SINKING FUND PURPOSES	<u>60,000</u>	<u>134,000</u>
	4,519,801	4,499,500
LESS: TRANSFER TO CURRENT LIABILITIES	<u>135,121</u>	<u>83,500</u>
LONG TERM LIABILITIES	<u>\$4,384,680</u>	<u>\$4,416,000</u>

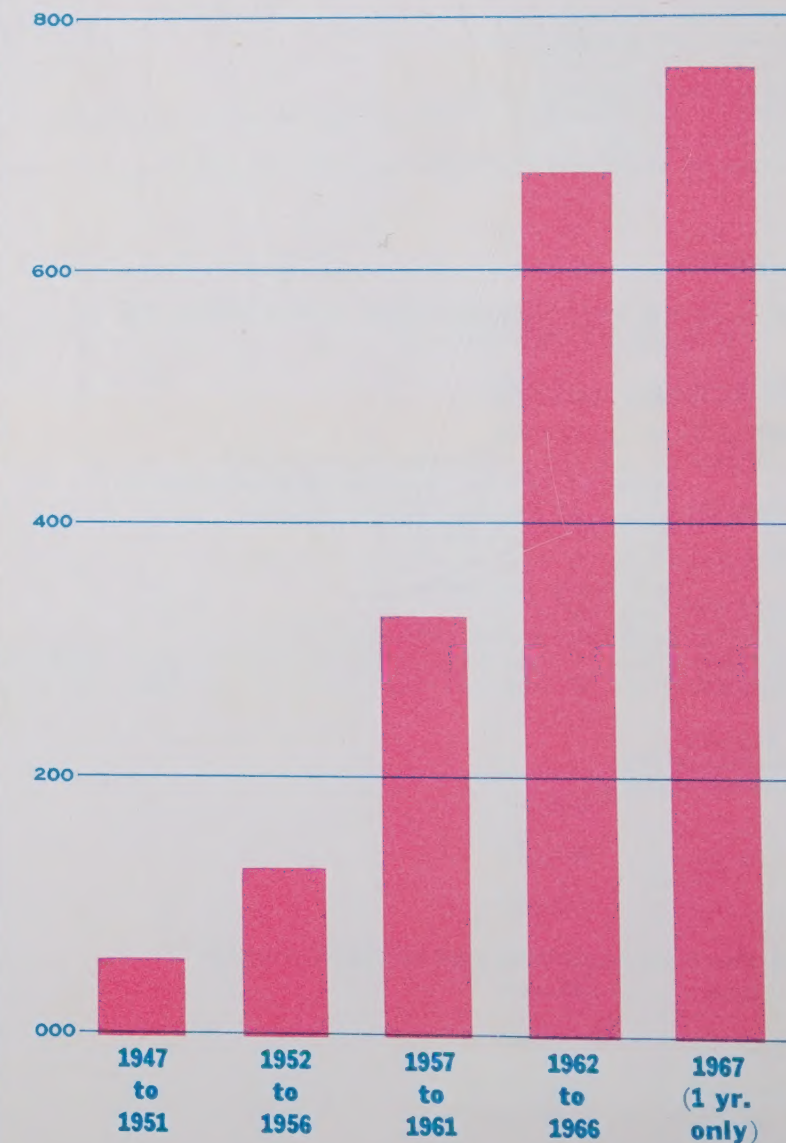
CONSOLIDATED STATEMENT OF EARNINGS SINCE INCORPORATION

NET INCOME

Year	Income from Operations	Provision for Depreciation	Interest on Long-Term Debt	Provision for Income Tax including Deferred	Net Income
1947	\$ 36,642	\$ 10,186	\$ 3,134	\$ 8,988	\$ 18,668
1948*	59,047	13,926	6,682	13,629	27,440
1949	86,881	26,189	6,390	21,293	32,889
1950	114,304	29,338	7,788	28,558	48,773
1951	148,049	37,846	7,808	43,959	58,771
1952	163,651	35,607	8,102	59,966	59,976
1953*	200,890	38,250	9,398	76,125	77,117
1954	214,419	48,663	18,806	66,813	79,564
1955	288,792	74,363	39,581	80,069	106,648
1956	396,446	99,472	60,963	108,504	134,146
1957*	578,416	136,966	64,284	172,642	209,287
1958	612,555	141,889	101,041	163,865	246,616
1959	769,346	164,648	99,078	227,925	288,908
1960	804,147	176,695	95,039	248,354	292,797
1961	914,630	211,095	101,181	279,591	329,415
1962	1,135,190	276,271	145,421	340,412	411,637
1963	1,228,028	351,631	139,657	347,681	421,645
1964*	1,315,808	382,533	139,015	363,366	470,605
1965	1,477,317	440,469	191,274	387,988	508,179
1966*	1,706,048	527,106	248,133	431,455	664,315
1967	1,836,134	528,809	263,076	491,708	752,952

*(53 weeks)

Thousands
of
Dollars



Ted Boehk
District Manager



Jack Patriquin
Supervisor, N. B.

OFFICERS & DIRECTORS



F. Carleton Fisher
Director



Frank T. Stanfield
Director



Merritt G. Crawford
Director
Secretary-Treasurer



Leslie Sharp
Director
Vice-President & General Manager



William M. Sobeys
Director
President



Harold M. Sobeys
Director
Vice-President



Frank H. Sobeys
Director
Chairman of the Board



Donald R. Sobeys
Director



David F. Sobeys
Director
Vice-President-Merchandising

OPERATIONS PERSONNEL



Ted Boehk
District Manager



William Vines
Supervisor, N. S.



Robert Clancy
Supervisor, N. S.



Tom Forman
District Manager



Gordon Reynolds
Supervisor, C. B.



Terry Jardine
Supervisor, N. B.



Jack Patriquin
Supervisor, N. B.



Ralph Hamm
Meat Supervisor, N. B.



Cecil MacLaren
Meat Supervisor, N. S.



Chas. Higgins
District Manager



Douglas Eddy
Personnel Manager



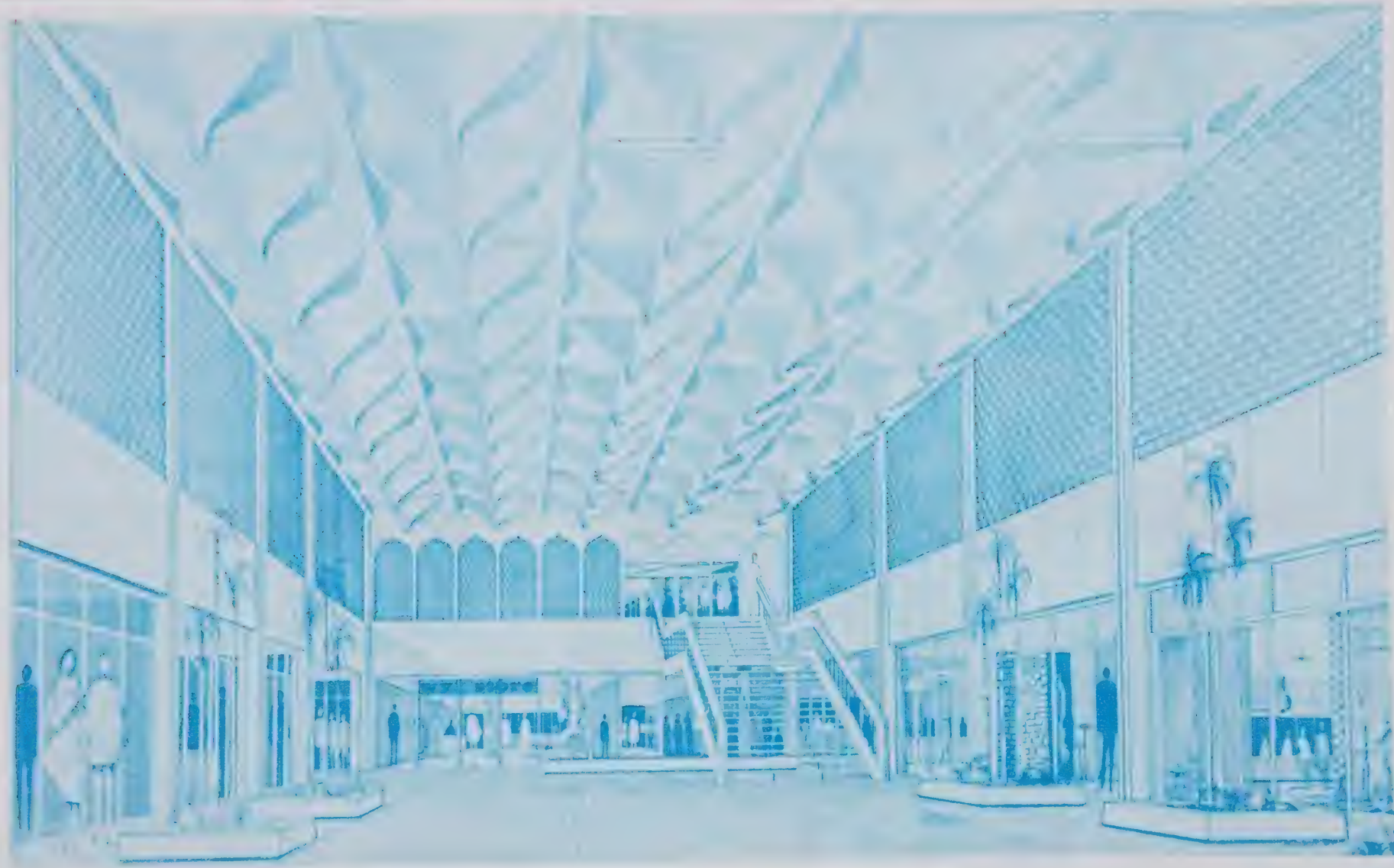
Drummond Fraser
Real Estate Manager



William Eisenhauer
Head Buyer

SOBEYS
STORES
LIMITED

OUR LATEST DEVELOPMENT



AVALON MALL, ST. JOHN'S NEWFOUNDLAND

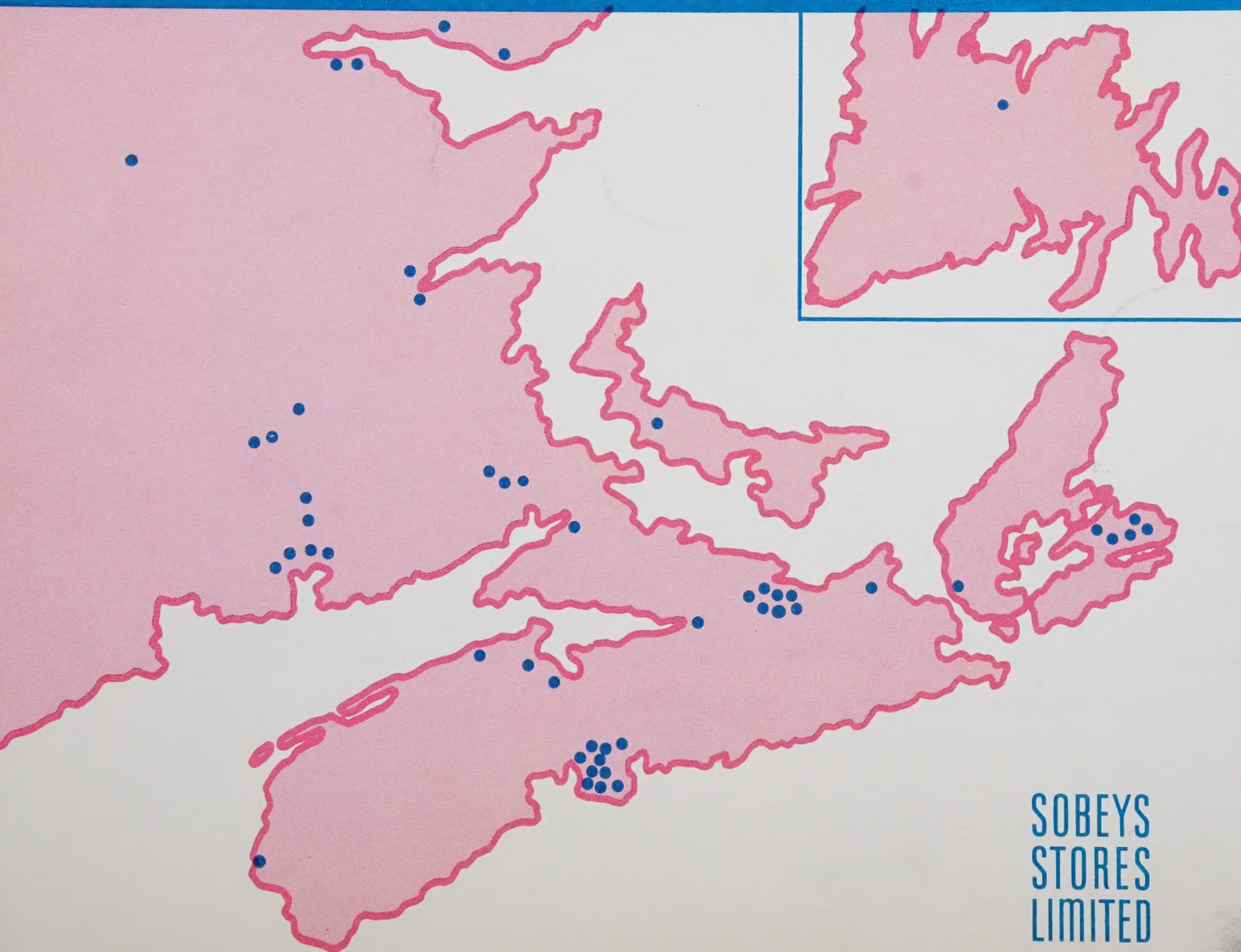
(This architects drawing has become a reality)

SOBEYS

Your Maritime Owned Food Chain

SOBEYS

SOBEYS - STORE LOCATIONS



BRANCH LISTING

NOVA SCOTIA

STELLARTON
NEW GLASGOW
WESTVILLE
TRENTON
PICTOU
TRURO
HALIFAX
WESTPHAL
WOODSIDE
DARTMOUTH
NORTH SYDNEY
SYDNEY
SYDNEY MINES
ANTIGONISH
YARMOUTH
AMHERST
WINDSOR
KINGSTON
PORT HAWKESBURY
KENTVILLE
GLACE BAY

NEW BRUNSWICK

MONCTON
FREDERICTON
SAINT JOHN
CAMPBELLTON
LANCASTER
NEWCASTLE
CHATHAM
EDMUNDSTON
DALHOUSIE
ROTHESAY
MILLIDGEVILLE
NASHWAAKSIS

PRINCE EDWARD ISLAND

SUMMERSIDE

QUEBEC

PASPEBIAC
NEW RICHMOND

NEWFOUNDLAND

GRAND FALLS
ST. JOHN'S

AR21

Corp report file



Sobeys Stores Limited
STELLARTON, NOVA SCOTIA

INTERIM REPORT

6 Months ending Nov. 4, 1967.

SOBEYS STORES LIMITED

INTERIM REPORT

Six months ending November 4th, 1967

TO THE SHAREHOLDERS

I am pleased to report that both sales and earnings of the Company show a healthy increase for the six month period ended November 4th, 1967.

Earnings per common share after providing for the preferred share dividends, but excluding capital gains, were 38c against 31c for the comparable six month period of last year.

The Company is continuing a programme of store modernizing and new store construction - in early December of this year, a new store was opened at Royalty Mall in Charlottetown, Prince Edward Island, a market in which the Company had not previously been represented.

Avalon Mall in St. John's, Newfoundland, which is owned entirely by the Company, is showing satisfactory progress and results.

A new store will be opening early in 1968 in Loch Lomond Shopping Centre in Saint John, N. B. and, Highfield Square Shopping Mall in downtown Moncton, N. B. is being readied for construction.

Quarterly dividends of 8c per share on the Common "A" and "B" stocks of the Company were paid in July and October.

Rising costs continue to be a burden, however, the Company has been able to keep these costs under reasonable control.

The outlook for the balance of the year appears promising and, barring unforeseen circumstances, it is expected that sales and earnings should continue at a satisfactory rate.

WILLIAM M. SOBEY
President

Stellarton, N. S.
December 20th, 1967.

SOBEYS STORES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

SIX MONTHS ENDING NOVEMBER 4, 1967

(with comparative figures)

	1967 (6 mos.)	1966 (6 mos.)
Net operating income	\$ 606,947	\$ 417,765
Provision for future income taxes (Note 1)	285,802	196,350
Net income	321,145	221,415
Preferred share dividend	46,875	
Net income after providing for preferred share dividend	\$ 274,270	\$ 221,415
Earnings per common share	\$.38	\$.31
Note 1.)	No income taxes have been paid, as the Company has taken advantage of accelerated capital cost allowance rates as permitted by the Canada Income Tax Act and Regulations for designated areas.	
2.)	Capital gains on sale of fixed assets and investments have not been included in the above results.	

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(with comparative figures)

	1967 (6 mos.)	1966 (6 mos.)
SOURCE		
Net income for the period	\$ 321,145	\$ 221,415
Add:		
Depreciation	350,190	266,569
Provision for future income tax	285,802	196,350
Profit on sale of fixed assets and investments	71,083	
Proceeds from sale of debentures	992,658	
Proceeds from sale of preference shares		1,431,443
	\$2,020,878	\$2,115,777
APPLICATION		
Increase in fixed assets	484,461	1,119,508
Increase in mortgages receivable	54,100	732
Purchase, redemption and transfer of current portion-company debentures	104,000	82,500
Dividends paid	163,173	112,663
	805,734	1,315,403
Increase in working capital	\$1,215,144	\$800,374

NOTE: The above figures are subject to audit and year end adjustment.